

The SGAT's UNE and Interconnection Prices Do Not Comply with the Act

- BellSouth has submitted no cost support in its application.
- The SGAT's prices come from a variety of sources, and none of them is consistent with TELRIC principles.
- BellSouth's SGAT prices are not geographically deaveraged.
- BellSouth seeks to impose separate, additional charges for vertical features.
- BellSouth seeks even higher permanent rates.

BellSouth's UNE Rates Are Not Cost Based

- The application contains no cost support for the SGAT's interconnection and UNE rates.
- BellSouth merely asserts that the SCPSC's pricing determinations "are conclusive." Br. at 37.
- The SCPSC did not have any cost studies in the SGAT/271 proceeding.
- The rates "imported" into the SGAT had not previously been found by the SCPSC to be cost-based.

The SGAT's Prices Come from Numerous Sources and None Are TELRIC-Based.

- The prices come from a variety of sources:
 - The AT&T-BellSouth arbitration.
 - Negotiated rates from South Carolina and other states.
 - BellSouth's tariffs.
 - FCC proxies.
 - BellSouth's proposed (but not adopted) rates in the arbitration.
- None of these prices were found by the SCPSC to be cost-based until the SCPSC purported to do so in the SGAT/271 proceeding.

The Rates from the AT&T-BellSouth Arbitration Are Not Cost-Based

- In the arbitration, the SCPSC adopted interim rates based on BellSouth's negotiated agreement with ACSI pending BellSouth's submission of "verifiable cost studies."
- These negotiated rates were not based on any cost studies, and not found by the SCPSC to be cost-based. Many of the nonrecurring charges were based on BellSouth's rate-of-return tariffs. ACSI, at 23-24.
- The ACSI loop rate was based on the FCC proxy rounded up to the next dollar. ACSI, at 25.

The Rates from the AT&T-BellSouth Arbitration Are Not Cost-Based (cont.)

- The SCPSC did not rely on the cost studies submitted by BellSouth, did not scrutinize the studies, and did not find that they complied with TELRIC principles.
- The AT&T and BellSouth studies were miles apart:
 - \$14.88 avg. loop price (AT&T) v. \$30.38 (BellSouth)
- BellSouth submitted no cost studies for nonrecurring charges.
- Moreover, where the arbitrated rates are lower than negotiated rates, BellSouth has used the higher rates in its SGAT.
 - E.g., charges for 2-wire port.

The SGAT Rates Based on BellSouth's Tariffs Do Not Comply with the Act.

- The intrastate tariff rates were based on BellSouth's rate-of-return.
 - Testimony of R. Scheye, Vol. 3 at 331 (7/8/97).
- The interstate tariff rates significantly exceed the costs computed in BellSouth's own cost studies.
 - Tariffed rate of \$0.0003 per query common transport charge.
 - Cost study calculated charge of \$0.00008 per query.

BellSouth's SGAT Prices Are Not Geographically Deaveraged

- BellSouth admits that it does not offer geographically deaveraged rates for unbundled loops. Varner Aff. par. 37.
- Geographic deaveraging was not addressed by the SCPSC in either the AT&T-BellSouth arbitration or the SGAT/271 proceeding.
- The costs for unbundled loops vary significantly between areas in South Carolina:
 - \$57.97 (very low density) vs. \$9.43 (high density) based on the Hatfield Model

BellSouth Seeks to Impose Additional Charges for Vertical Features

- The SGAT provides that each vertical feature will be provided at a separate, additional charge once the SCPSC establishes a separate rate for each feature.
- This violates the Act's and the Commission's requirement that a CLEC obtain all of the features and functions of the switch when it obtains unbundled local switching.

BellSouth Seeks Non-Forward-Looking Rates that Would Recover Embedded Costs

- BellSouth proposes a non-TELRIC-based pricing methodology, which includes an explicit embedded cost recovery component, the Residual Recovery Requirement.
- BellSouth's "TELRIC" study is based on historical network architecture and processes, not efficient, forward-looking architecture and technology.
 - Embedded loops.
 - Manual vs. electronic processes.
 - Historic accounting shared and common cost assumptions
 - Improper depreciation and fill factors.

BellSouth Seeks Significantly Higher, Non-Cost-Based Rates

- Loop (2-wire voice grade)
 - SGAT \$18.53/month (w/NID)
 \$51.20 nonrecurring charge
 - Cost study \$29.57/month (w/NID)
 \$75.75 nonrecurring charge
- Port (2-wire analog)
 - SGAT \$2.70/month
 - Cost study \$3.93/month
- OSS ordering charge - \$10.90/electronic order